

1 investments, which was done under threat of fines and penalties issued by Defendant
2 against the corporations and their agents. On information and belief, Defendant hired
3 agents who are paid a consulting fee together with a "bounty" or percentage of all
4 investments seized from corporations. In order to comply with the Defendant's demands,
5 corporations and their agents surrender duplicate stock certificates. Once the Controller
6 receives the duplicate certificates, the stock investments are sold through private brokers
7 and the proceeds are deposited in the general fund for the State of California.
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10 11. Plaintiffs are informed and believe that starting in or about 1995, Defendant made
11 the purposeful decision to disregard notice and due process obligations. Defendant
12 determined that it was "impractical" and not cost effective to publish the individual
13 names, addresses and stock information as required by statute, nor was it necessary to
14 notify known stockholders with direct mail notice. Instead, Defendant determined that
15 generic "block ads" were sufficient constitutional notice to the owners of the stock
16 investments. Consequently, the investors including Plaintiffs whose stock was seized and
17 sold by the Controller have no reason to suspect that their investments were taken.
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20 12. In Plaintiffs' case, on information and belief, Defendant seized Plaintiffs' share
21 certificates of CYBS in or around March, 2004, and thereafter, before Plaintiffs were
22 aware of the seizure, sold the 100,000 shares for \$6.63 each, a total of \$663,000.
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24 13. Thus, as discussed in greater detail below, Defendant's actions in taking
25 possession of Plaintiffs' stock investments without notice and due process or the
26 knowledge and consent of the Plaintiffs violates the express provisions of the UPL,
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